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## THE FEDERAL DIARY

## A Government Exodus

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**F**ederal retirements—which normally range from 2,000 to 5,000 per month—jumped by 50 percent to almost 200 percent in some agencies in May as workers bailed out early, many apparently to beat a proposed change in pension tax rules.

Although June retirement numbers are not available, many agencies say retirements last month may exceed the May levels.

The May exodus—which could be a record for the month—has been cited by Rep. Steny Hoyer (D-Md.) as an indication of the panic that has gripped longtime employees since Congress started work on tax reform. Senate-House conferees are now considering a compromise reform bill.

Hoyer said that a July deadline on a proposed pension tax change carried in the House version of tax reform obviously played a hand in large increases in federal retirements.

Hoyer said the retirements of FBI agents in May rose 178 percent from the number retiring in May 1985. He said the Federal Aviation Administration—which employs the nation's air traffic controllers—estimated that its May retirements this year would be 55 percent higher than the previous May. Civilian retirements in the Army rose 82 percent and the State Department estimated a 45 percent increase in retirements by Foreign Service officers.

The tax reform provision that Hoyer was referring to would eliminate the so-called three-year recovery rule. That rule permits retirees to recover previously taxed contributions to their own pension plan before their annuities are subject to federal taxes. Federal retirees get back all their contributions in about 18 months.

Nearly 20 million workers—including all federal employees, most state and local government workers and some private sector employees—

contribute to their own pension plan and benefit from the "tax free" period after retirement permitted by the recovery rule.

The House version of tax reform would eliminate the recovery period, retroactive to July 1. The Senate version would phase it out over two years beginning in January 1988. Many federal employees, rather than risk being caught by a July deadline, retired in May or June.

In a letter to House tax conferees, Hoyer said that many workers had apparently decided not to wait. He said a study by the General Accounting Office showed May retirements were up 82 percent in the National Aeronautics and Space Administration, causing possible "severe disruptions across the board" in the agency.

Earlier, the Army advised Rep. Frank Wolf (R-Va.) of damage "for years to come" if hit by massive retirements.

Hoyer's letter to the committee—appealing for it to drop the pension tax proposal—was signed by nearly 40 members, including Republicans and Democrats representing the Washington area.

## Early-Out Plan Fizzles

Sen. William V. Roth Jr. (R-Del.) yesterday dropped plans to attach an early-out provision for federal workers to a Senate budget package. Roth needed seven of the committee's 13 votes to make the early-out part of the budget reconciliation plan. Most committee Republicans supported the plan.

But all six Democrats, joined by Sen. Charles McC. Mathias Jr. (R-Md.), declined to go along with making the proposal part of the budget process. Mathias indicated he would consider the early-out plan if it is brought up as separate legislation.

What all this means is that although the early-out plan may be revived again—as a separate bill or as a rider to some other piece of legislation—chances are that it is dead (again) for this year.

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